

1 UNITED STATES BANKRUPTCY COURT

2 SOUTHERN DISTRICT OF NEW YORK

3 Chapter 11 Case No. 08-13555 (JMP)

4 Case No. 08-01420 (JMP)(SIPA)

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6 In the Matter of:

7 LEHMAN BROTHERS HOLDINGS, INC., ET AL.,

8 Debtors.

9 - - - - - x

10 In the Matter of:

11 LEHMAN BROTHERS INC.,

12 Debtor.

13 - - - - - x

14 U.S. Bankruptcy Court

15 One Bowling Green

16 New York, New York

17

18 April 24, 2013

19 10:02 AM

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21 B E F O R E :

22 HON JAMES M. PECK

23 U.S. BANKRUPTCY JUDGE

24

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1 Hearing re: Plan Administrator's Motion for Order in Aid of  
2 Execution of the Modified Third Amended Chapter 11 Plan of  
3 LB Rose Ranch LLC [ECF No. 36423]

4  
5 Hearing re: Motion for Approval of Settlement Agreement  
6 with Lehman Brothers Finance AG (in Liquidation) [ECF No.  
7 36300]

8  
9 Hearing re: Motion for an Order Pursuant to Section 105(a)  
10 of the Bankruptcy Code and Bankruptcy Rule 9019, Authorizing  
11 and Approving the Settlement Between LBF and the LBHI  
12 Parties [ECF No. 51]

13  
14 Hearing re: Trustee's Twenty-Ninth Omnibus Objection to  
15 General Creditor Claims (No Liability Claims) [LBI ECF No.  
16 5776]

17  
18 Hearing re: Trustee's Thirty-Third Omnibus Objection to  
19 General Creditor Claims (No Liability Claims) [LBI ECF No.  
20 5835]

21  
22 Hearing re: Motion of Fidelity National Title Insurance  
23 Company to Compel Compliance with Requirements of Title  
24 Insurance Policies [ECF No. 11513]

25

1 Hearing re: Lehman Brothers Holdings Inc., et al. v.  
2 JPMorgan Chase Bank, N.A., et al. [Case No. 10-03266] -  
3 Motion for an Order Authorizing the Public Filing of an  
4 Unredacted Reply.

5  
6 Hearing re: Motion of FirstBank Puerto Rico for (1)  
7 Reconsideration, Pursuant to Section 502(j) of the  
8 Bankruptcy Code and Bankruptcy Rule 9024, of the SIPA  
9 Trustee's Denial of FirstBank's Customer Claim, and (2)  
10 Limited Intervention, Pursuant to Bankruptcy Rule 7024 and  
11 Local Bankruptcy Rule 9014-1, in the Contested Matter  
12 Concerning the Trustee's Determination of Certain Claims of  
13 Lehman Brothers Holding Inc. and Certain of its Affiliates  
14 [LBI ECF No. 5197]

15  
16 Hearing re: Motion Pursuant to Federal Rule of Bankruptcy  
17 Procedure 9019 for Entry of an Order Approving Settlement  
18 Agreement [LBI ECF No. 5483]

19  
20 Hearing re: Trustee's Twenty-Eighth Omnibus Objection to  
21 General Creditor Claims (Late-Filed Claims)[LBI ECF No.  
22 5775]

23  
24 Hearing re: Trustee's Thirty-Seventh Omnibus Objection to  
25 General Creditor Claims (No Liability Claims)[LBI ECF No.

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1 P R O C E E D I N G S

2 THE COURT: Be seated, please. We're in a strange  
3 place today. My courtroom is being renovated,  
4 notwithstanding the sequester.

5 MR. WIN: Good morning, Your Honor. Zaw Win, Weil  
6 Gotshal & Manges for Lehman Brothers Holdings, Inc.

7 THE COURT: Good morning.

8 MR. WIN: The first item on today's agenda is the  
9 plan administrator's motion for an order in aid of execution  
10 of the plan of LB Rose Ranch, LLC. It's at ECF Number  
11 36423. In support of this motion, the plan administrator  
12 also filed the declaration of Jeffrey Fitts, which is at ECF  
13 Number 36561.

14 The objection deadline for this motion was  
15 April 17, 2013, and no objections were filed. However,  
16 counsel for the Colorado plaintiffs has reached out to us on  
17 an informal basis to request that certain language be added  
18 to the order to make it clear that nothing in this order  
19 affects the stipulation that was previously entered into  
20 amongst certain of the debtors and the Colorado plaintiffs.

21 Since that wasn't the intent of the order, the  
22 debtors didn't have an issue with adding the language. I  
23 have a black line of the order if Your Honor would like to  
24 take a look?

25 THE COURT: Sure, I'll take a look at it.



1 MR. WIN: May I approach?

2 THE COURT: Yes. We're going to have to do a  
3 double hand up. Thank you.

4 I have a -- just a question about notice on this.  
5 If I understand what is going on in this uncontested matter  
6 seeking an order in aid of implementation of the plan, there  
7 are certain deed restrictions in reference to affordable  
8 housing relating to an agreement between the developer and  
9 the local county in reference to assuring that affordable  
10 housing units would be always part of this project.

11 Do I understand that correctly?

12 MR. WIN: That's correct.

13 THE COURT: I just want to understand if notice  
14 was given to county officials and others in a position to  
15 enforce those restrictions from a public policy perspective.

16 MR. WIN: Your Honor, notice of the motion was  
17 served on the county, and I also understand that certain  
18 representatives of the debtors have also reached out to the  
19 county following the filing of the motion on an informal  
20 basis, just to discuss the plan with the county.

21 And I understand from them that the county is  
22 generally supportive of the relief that we're seeking in  
23 this motion.

24 THE COURT: That's fine. That's very reassuring.  
25 It's unopposed and approved.

1 MR. WIN: Thank you, Your Honor.

2 My colleague, Alfredo Perez will handle the next  
3 matter on the agenda.

4 MR. PEREZ: Good morning, Your Honor. It's been a  
5 long time since I've been here, but I'm happy to be here  
6 today settling I think one of the very last affiliate claims  
7 involving LBF. We had been here obviously before in  
8 connection with the estimation hearing.

9 Your Honor, this has been really a long time in  
10 coming. Although the general economic parameters have been  
11 in place for a couple of years, it's really been the  
12 details, how to meld the two systems, how to effectuate the  
13 settlement that has been at the core of the parties'  
14 disputes, if you will. And we've spent a lot of time, and  
15 frankly for the last year almost meeting on an every other  
16 month basis to try to resolve this issue.

17 Had -- if we had to litigate this, I think it  
18 would raise issues of first impression in Switzerland as  
19 well as very detailed fact-oriented issues regarding the  
20 corporate (indiscernible - 00:03:53) claims. At its  
21 economic heart, Your Honor, the settlement is really very  
22 simple, and it has three components.

23 First, we reduce our claim in the -- in the Swiss  
24 proceeding and allow a priority distribution to the third  
25 party creditors of up to 1.275 billion or 50 percent of

1 their claims. And in return for that, we get the assignment  
2 of the affiliate claims, other than LBIE, but for the most  
3 part all of the affiliate claims. And the 14 -- initially  
4 50 something, subsequently \$14 billion claim goes away in  
5 this case with the exception of the \$942 million claim that  
6 they have on account of the securities that they own.

7 Your Honor, we think that this is a tremendous  
8 outcome for the estate, and we believe it's -- based on all  
9 of the litigation, I think we'd say -- it's a win, win  
10 overall. It is conditioned on several things happening and  
11 we're involved in the process, we're moving along. This was  
12 obviously one component of that, but we're not there yet,  
13 but hopefully we'll be -- we will be there soon. So, this  
14 is part of the process. We have every expectation that we  
15 will be able to consummate the merger.

16 Your Honor, we did not receive any objections by  
17 the objection deadline. So, we would request that the Court  
18 approve the motion.

19 THE COURT: I just have a few questions. One is,  
20 you mentioned conditions that need to be fulfilled, can you  
21 describe those and the means to fulfill them?

22 MR. PEREZ: Yes, Your Honor. The settlement  
23 provides several conditions precedent to the effective date,  
24 including creditor's committee approval in Switzerland,  
25 which I believe is happening and publication of the co-

1 location plan, which has also happened.

2           There is what's called a realization plan, which  
3 is in essence a mini plan treatment of our claim, which as  
4 soon as this is approved, that will go out. And under the  
5 Swiss system, when you publish the realization plan, you  
6 make -- you offer creditors the ability to come in -- to  
7 come in and stand in your shoes and basically take the  
8 claims against LBF.

9           Obviously, if a creditor steps up to that, than  
10 that would -- that would terminate the settlement agreement.  
11 We don't believe any creditors have. We've talked to many,  
12 many of the substantial creditors and understand, Your  
13 Honor, that for the most part almost all of the creditors in  
14 the Swiss proceeding are the creditors in our case because  
15 there are guaranteed claims with respect to those. So,  
16 we've talked to many of the creditors and we don't believe  
17 that's it.

18           There are some claims from some of the affiliates,  
19 which we need to get waived, including the claim of LBF and  
20 a small claim from Aurora Bank. And in addition to that,  
21 we've set up a mechanism whereby the -- in particular, with  
22 respect to Lehman Brothers Asia Holdings Hong Kong, what we  
23 called Hong Kong, those claims are being assigned to us.  
24 Some of those claims are positive. Some of those claims are  
25 negatives.

1           We think on balance, we're going to get a  
2           substantial recovery from Hong Kong. But because those  
3           claims are -- all the claims are being assigned to us, LBF  
4           did not want any issue where we get the winners and they get  
5           the losers. So we put -- we will put up collateral in order  
6           to secure the fact -- them not being paid on the claims.

7           We actually think that there is already a  
8           settlement with Hong Kong once that settlement between LBF  
9           and Hong Kong is approved, that condition would go away.

10          THE COURT: Okay. With all of the familiarity  
11          that you and Mr. Rosenthal no doubt have as to the details  
12          that I don't have, one of the things that's obscure to me as  
13          I looked over the papers is what this really means to the  
14          LBHI estate and what this really means to the LBF Chapter 15  
15          case -- we'll hear about that in a minute -- in terms of  
16          real economics and real projected recoveries, because the  
17          numbers are very large, but they always were because they  
18          were inflated. No offense, but they were hugely inflated.

19          It's very hard to tell as this net's down to other  
20          numbers that are very large, what it really means in terms  
21          of realizable recoveries to creditors in the United States  
22          and realizable benefits to creditors in Switzerland. So,  
23          that's one of my fundamental questions, to drill down into  
24          this and understand in true economic terms what has been  
25          achieved here.

1 MR. PEREZ: Yes, Your Honor. I'll let  
2 Mr. Rosenthal address LBF, but let me address LBHI.

3 Your Honor, we have two sources of recovery here.  
4 One is the assignment of the claims that we're going to  
5 receive, as well as the participation after the priority  
6 distribution. Based on the numbers now, and based on the  
7 declaration of the LBF liquidator, we -- they believe that  
8 there's going to be about a 60 cent on the dollar recovery.  
9 Assuming that we don't participate in the first part of that  
10 with an \$8 billion even if we get 10 cents after the  
11 recovery, that's an \$800 million recovery. We think it's  
12 obviously -- we believe it's going to be more.

13 In addition to that, Your Honor, we will have --  
14 we already have allowed claims of approximately four plus  
15 billion into LBT and three plus billion into LBS. LBT is a  
16 -- paying a substantial dividend. So, in terms of economic  
17 recovery, while I don't know the exact numbers, this is in  
18 the billions, Your Honor, for the estate.

19 THE COURT: Okay.

20 MR. PEREZ: And let me say on the flip side, we've  
21 mitigated \$14 billion in claims that would otherwise be part  
22 of the estate. And with respect to the 942 million  
23 structured security claim, Your Honor, that's being allowed  
24 on the same basis as the 21,000 other structured securities  
25 claim pursuant to the protocol. So, they're getting the

1 absolute same treatment that we've accounted for in all of  
2 our dealings.

3 THE COURT: Fine, thank you. Because this is a  
4 reciprocal motion in which we have a Chapter 15 matter that  
5 is the flip side of the LBHI matter, I'll defer approving  
6 until I hear from LBT.

7 MR. ROSENTHAL: Good morning, Your Honor. Michael  
8 Rosenthal with Robert Krakow from Gibson, Dunn & Crutcher on  
9 behalf of Lehman Brothers Finance.

10 Your Honor, you're right. We -- this is a  
11 companion motion. I am as happy to be here as Mr. Perez.  
12 We're happy to be able to resolve this very large dispute  
13 between Lehman Brothers Finance and LBHI. With me here  
14 today is Christiana Suhr Brunner, a partner of Price  
15 Waterhouse Coopers, sitting on the front row. Ms. Suhr  
16 Brunner is a partner with PWC, which is the Swiss bankruptcy  
17 liquidator of Lehman Brothers Finance. And she, along with  
18 her colleague, Pascal Portman, negotiated this settlement  
19 from the Lehman Brothers Finance perspective.

20 Your Honor, the -- it has been a very long, hard  
21 fought series of negotiations over some very, very complex  
22 issues, which if they had to have been litigated would have  
23 raised, as Mr. Perez says novel -- novel issues both in the  
24 United States and in Switzerland, novel in terms of the  
25 issues themselves and also issues that would have

1 potentially put the United States at issue with some of the  
2 laws of Switzerland.

3 We have filed the declaration of Ms. Suhr Brunner  
4 in support of the motion to compromise and settle, and I  
5 think she sums it up by saying at the end the settlement  
6 agreement is the product of intensive and arms length  
7 negotiations between knowledgeable professionals and their  
8 experienced counsel. It's my firm belief that the  
9 settlement is fair and reasonable, and would be in the best  
10 interest of the creditors of LBF.

11 Now, Your Honor, Mr. Perez did indicate the  
12 principal components of the settlement. There will be a  
13 priority distribution allowed to all third party -- all  
14 third party creditors of Lehman Brothers Finance.

15 Your question that you just posed was how does  
16 this treat the U.S. versus the non-U.S. creditors. All  
17 creditors are treated the same in Switzerland. These third  
18 party creditors, whether they're Swiss, or U.S., or Belgian,  
19 or whatever country they're from are all part of the group  
20 that is entitled to this priority distribution.

21 And the distribution, as Mr. Perez said, is set at  
22 the lesser of 50 percent of their claims or a maximum amount  
23 of \$1.275 billion. Based on the -- what is called the co-  
24 location plan that has now been filed in Switzerland by  
25 Lehman Brothers Finance, which is effectively the equivalent



1 of our schedule of claims -- based on the claims that have  
2 been allowed in that co-location plan, the estimate is that  
3 third party creditors would receive approximately 60 percent  
4 distributions on their claims. This is to be compared with  
5 much smaller distributions, distributions in the range of 30  
6 percent had we not been able to resolve the LBHI claim  
7 through this settlement agreement, and had LBHI prevailed in  
8 their arguments about their claim in Switzerland.

9 Now, we believe that this settlement is fair, is  
10 reasonable. It appropriately takes into consideration all  
11 of the issues that the parties have -- that the parties have  
12 been discussing over a long period of time. Your question  
13 about what happens with a Chapter 15 case, I think it  
14 resolves the Chapter 15 case. I think there are -- other  
15 than the claims that we have related to the Lehman paper,  
16 the \$942 million in claims against the Lehman estate, I  
17 don't believe that there's any further need for Chapter 15  
18 relief. We'll be reviewing it, but I don't believe there is  
19 and I believe we will be coming to the Court to conclude --  
20 to conclude that case.

21 Does Your Honor have any -- well, you asked  
22 questions about conditions precedent. So, Mr. Perez  
23 indicated many of them. One is this Court's approval, we're  
24 here today. Another is approval by the creditor's committee  
25 in Switzerland, the Lehman Brothers Finance creditor's

1 committee in Switzerland. That approval was obtained two  
2 days ago. A third condition is that we receive a waiver of  
3 some claims that Lehman Brothers, the Luxemburg entities  
4 would have -- have threatened to file against Lehman  
5 Brothers Finance. And Mr. Perez can address that, but we're  
6 -- that is a condition of the settlement and we're told that  
7 LBHI has that in hand and is prepared to be able to deliver  
8 us that waiver.

9 Mr. Perez mentioned that there is a further  
10 requirement in Swiss law that creditors, even though the  
11 committee has proved that creditors be allowed to in effect  
12 take over the claim, and pursue the claim against LBHI or  
13 defend the claims that LBHI has filed. That process still  
14 is ongoing. Mr. Perez told you that he did not think that  
15 anyone would actually take on that obligation, and I agree  
16 with him.

17 But what he didn't tell you was that in order to  
18 -- for creditor to take advantage of that opportunity, they  
19 have to effectively indemnify the Lehman Brothers Finance  
20 estate against any damage that might be caused if that ever  
21 is unsuccessful. The way that that indemnity works is that  
22 the creditor who wants to take that claim over has to post  
23 what's -- what we've called the settlement interest amount  
24 in this settlement agreement. The settlement interest  
25 amount is at least \$6 billion. So, that is a --

1 THE COURT: That's a pretty high barrier to entry,  
2 isn't it?

3 MR. ROSENTHAL: Relatively high barrier. Other  
4 than that, Your Honor, I agree with Mr. Perez's statements.  
5 We believe that the standards for approval of 9019 motions  
6 in this District have been more than satisfied. This is a  
7 settlement well within the range of reason.

8 THE COURT: I agree and having heard from both of  
9 you, I'm convinced that that's true. I do have just a  
10 question based more on personal curiosity than a need to  
11 know in order to approve this obviously mutually beneficial  
12 arrangement and that is how you were able to resolve the  
13 various cross-border issues that you've described, because  
14 you're describing not just issues that relate to Swiss law  
15 and U.S. law, but issues relating to other Lehman affiliates  
16 whose winding up proceedings are pending in various other  
17 countries.

18 I'm wondering if you could simply illuminate the  
19 question of whether the protocol was useful in this regard  
20 and if not, what procedures were implemented in order to  
21 achieve this global result, and the use of the term global  
22 is not misplaced here.

23 MR. ROSENTHAL: I think the protocol was useful.  
24 I don't think that it was, with all due respect, I don't  
25 think it was, you know, absolutely dispositive because the

1 Swiss proceeding had its own rules that it had to abide by,  
2 and in some instances there were requirements of Swiss law  
3 that were just -- just didn't fit as well within the  
4 protocol as, I guess, we all would have liked. But I think  
5 it did set a framework that people used to resolve things.

6 One of the problems with -- one of the issues with  
7 this entire settlement was it was a -- it was truly like  
8 putting a puzzle together. The value that LBHI derives from  
9 this settlement comes in part from their distribution on  
10 their \$8.75 billion claim against the LBF estate. But  
11 remember, they have effectively subordinated that claim to  
12 priority distributions to third party creditors.

13 So, it's the other part that I think is a key  
14 aspect of the value of the settlement for LBHI. And that is  
15 what the assignment of the claims against the other Lehman  
16 affiliates, which are valuable claims. And until those  
17 could be further evaluated, potentially further locked down,  
18 it was impossible to -- it was difficult to determine how  
19 valuable those claims were, both in terms of what LBHI was  
20 getting and in terms of what LBF was giving up. And I think  
21 the protocol was important in evaluating those claims and  
22 having some consistency in how they would be evaluated.

23 THE COURT: Fine.

24 MR. PEREZ: I would just --

25 THE COURT: Mr. Perez?

1 MR. PEREZ: Yeah, just a -- on that issue, Your  
2 Honor.

3 The protocol clearly set the framework that  
4 allowed us, LBHI, to evaluate the economics of the deal  
5 because it recognized the various intercompany accounts. It  
6 said, you know, we're just going to start on September 12th  
7 and then, you know, obviously to the extent that there's an  
8 issue, we're going to do it.

9 A couple of interesting things is that to my  
10 knowledge, this is one of the very first times that a debtor  
11 has been recognized in a Swiss proceeding without having to  
12 start an ancillary proceeding. So, that took a long time  
13 for FINMA to recognize us. They allowed us initially to  
14 file claims without starting a proceeding, and then it was  
15 just only in the last two or three months before the  
16 settlement was signed that they actually issued an opinion  
17 or an order saying that we did not have to file an ancillary  
18 proceeding in order to be recognized over there.

19 And that -- while seemingly not as important, it  
20 was very important because that's -- that was really the  
21 only way we could conclude the settlement with the certainty  
22 and not having, you know, a liquidator appointed in  
23 Switzerland for these assets.

24 THE COURT: Thank you. Someone wishes to be  
25 heard?

1 MR. CORDARO: Good morning, Your Honor. Joseph  
2 Cordaro, Assistant United States Attorney on behalf of the  
3 United States.

4 And I just wanted to briefly point out one thing  
5 that the United States is mildly concerned with. There is a  
6 provision in the settlement agreement that provides that  
7 governmental approvals are not necessary to carry out the  
8 transaction on LBHI's side. And we don't interpret that at  
9 all as dispensing with any requirements under U.S. law to  
10 carry out the transaction, but I just wanted to be sure that  
11 to the extent that under U.S. law that any agency approvals,  
12 or consents, or permits are required to carry out the  
13 transaction from the LBHI side that this order wouldn't --  
14 is not -- should not be taken as prospectively granting any  
15 of those agency approvals, or permits, or authorizations.

16 So, we just wanted to be clear about that. We  
17 don't think that's controversial, and actually we don't  
18 think that's the intent here, but I just wanted to put that  
19 on the record to make sure that it's clear to everyone.

20 THE COURT: Let me just ask Mr. Perez to confirm  
21 that there is no intention in the documentation or in the  
22 order to be entered approving this settlement to dispense  
23 with the agency approval requirements, if any, that may  
24 apply.

25 MR. PEREZ: Your Honor, that's correct. But I

1 think Mr. Cordaro's referring to Section 7.4 in which we  
2 make a representation to LBF and LBF in 6.4 makes a  
3 representation to us that there is no additional approval  
4 necessary, and we don't believe there is, Your Honor.

5 In essence, we're doing three things. We're  
6 compromising a receivable. We're taking an assignment. And  
7 we're allowing a claim. There's no business here. We're  
8 not running an airline. We're not running a  
9 telecommunications company. So, I'm not quite sure where  
10 this is coming from.

11 THE COURT: I recognize based upon my experience  
12 in the Lehman bankruptcy case that you are not running an  
13 airline any longer anyway. There were a lot of private  
14 airplanes at one point. But I think this is the U.S.  
15 Attorney's Office being particularly cautious. Their  
16 representation is fairly standard in transactions and given  
17 that this is the mutual agreement to compromise intercompany  
18 claims, I can't imagine any government approval as being  
19 required under any circumstances.

20 But the point is noted to the extent that there  
21 are any such approvals, the fact that a representation is  
22 being made doesn't dispense with them.

23 MR. CORDARO: Thank you, Your Honor. And again, I  
24 don't see a scenario where any governmental approvals would  
25 have to be transferred to affect these transactions, but

1 again it would be the same idea that this order wouldn't  
2 prospectively dispense with any law -- U.S. law governing  
3 those transfers.

4 THE COURT: Okay, that's fine.

5 MR. CORDARO: Thank you, Your Honor.

6 THE COURT: Is there anything more on this?

7 MR. ROSENTHAL: No, Your Honor.

8 THE COURT: I'm pleased to approve this  
9 transaction, which is mutually beneficial to the LBHI estate  
10 and also to the estate of Lehman Brothers Finance AG and  
11 Liquidation in Switzerland.

12 As the papers have noted, both those filed in the  
13 Chapter 11 case and those in the Chapter 15 case, the  
14 negotiations leading up to this resolution have been going  
15 on for approximately four years. That's an extraordinarily  
16 long time to be negotiating anything. It is at least one  
17 indication of how remarkably complicated these  
18 interrelationships are, particularly when dealing with law  
19 that is not clearly harmonious.

20 I think it is a significant achievement in the  
21 annals of cross-border insolvency and a testament to the  
22 capacity of well-informed professionals and others involved  
23 in the process to reconcile their differences. And to that  
24 extent, is important precedent, particularly in cases such  
25 as this that involve enterprises that operate across



1 borders. I'm pleased to approve it.

2 MR. PEREZ: Thank you, Your Honor.

3 MR. ROSENTHAL: Thank you very much, Your Honor.

4 Should we hand up the order or do you -- do you have the  
5 orders, or should we hand up one?

6 UNIDENTIFIED SPEAKER: We'll hand one up at the  
7 end of the hearing.

8 MR. PEREZ: Your Honor, may we be excused?

9 THE COURT: Yes. Have orders been handed up?

10 MR. PEREZ: No.

11 THE COURT: I think we're now ready to move onto  
12 the LBI docket.

13 (Pause)

14 MR. PEREZ: Thank you, Your Honor.

15 THE COURT: Thank you.

16 MS. GRAGG: Good morning, Your Honor. Meaghan  
17 Gragg of Hughes Hubbard & Reed for the SIPA Trustee.

18 On the calendar today there are two omnibus  
19 objections to which the trustee has received responses. The  
20 trustee's 29th omnibus objection and the trustee's 33rd  
21 omnibus objection, both relate to claims by holders of  
22 securities that were issued by LBHI pursuant to indentures  
23 dated September 1, 1987 and February 1, 1996.

24 The claims, the responses, the documentation  
25 provided by the claimants in the publicly available

1 documents filed with the SEC all show that the claims  
2 securities were not issued by LBI or guaranteed by LBI.

3 The 29th objection covers 54 claims, with a total  
4 asserted amount of approximately 34 million. The 33rd  
5 objection covers 66 claims with a total asserted amount of  
6 approximately 11 million. The trustee received two  
7 responses to each objection. One -- for each objection, one  
8 of the responses was filed on the docket, the other was  
9 received by the trustee and it doesn't appear that it was  
10 filed on the docket, but it was attached with our omnibus  
11 reply.

12 In an effort to resolve these responses without  
13 involving the Court, the trustee's counsel contacted each  
14 respondent, but the respondents have continued to press  
15 their claims.

16 THE COURT: Apparently some of the parties who  
17 received calls were not pleased to have received those  
18 calls. I saw a response indicating some anxiety associated  
19 with one of your associates who contacted that person.

20 MS. GRAGG: I think there was some  
21 misunderstanding. Our intention in communication with that  
22 respondent was to explain to her the basis for the trustee's  
23 objection, and also to explain to her the fact that the  
24 indentured trustee had filed a claim on her behalf in LBHI.  
25 But she was informed that, you know, she had a right to file

1 an objection and I think he just asked if she cared to  
2 withdraw her claim, or to continue to press it. So, it was  
3 purely an effort to try and resolve it --

4 THE COURT: I understand.

5 MS. GRAGG: -- outside the Court.

6 The trustee's financial advisor, Deloitte, filed  
7 declarations to support the omnibus objections and the  
8 omnibus reply and is here today if the Court has any  
9 questions regarding the underlying claims and the SEC  
10 documentation supporting the trustee's determination that  
11 LBI is not liable.

12 None of the claimants' responses provides  
13 references, any document, fact, or legal theory that would  
14 give rise to LBI liability. Three of the four responses are  
15 similar and simply replicate or reiterate the basis for the  
16 liability asserted in the claims, which is that the  
17 respondents hold LBHI's issued securities.

18 Mr. Stovic's response raises some additional  
19 issues, but he still fails to establish any basis for LBI  
20 liability. In his response, he appears to assert a claim  
21 against controlling persons of LBHI and LBI for breach of  
22 contract, fraudulent misrepresentation, and fraudulent  
23 misrepresentation in connection with the LBHI securities,  
24 but he doesn't provide any document, fact, or legal theory  
25 sufficient to support that claim.

1           The shelf registration that he provides, which is  
2           signed by the controlling persons that he references,  
3           doesn't relate to the security that he claims. And even if  
4           it did, the -- it's clear from the document that the  
5           signatories were acting as directors and officers of LBHI,  
6           not LBI.

7           As I mentioned before, with respect to Ms. Smith's  
8           letter, we have identified the (indiscernible - 00:32:51)  
9           for each of the securities claimed by each of the  
10          respondents in the corresponding global proofs of claim  
11          filed by the indenture trustee for the securities on behalf  
12          of the respondents in the LBHI Chapter 11 proceeding, which  
13          is consistent with our determination that LBHI issued the  
14          claim securities.

15          Just -- the claimants subject to the trustee's  
16          29th and 33rd omnibus objections have failed to meet their  
17          burden on demonstrating the validity of their claims, and so  
18          on that basis, unless the Court has any questions, we  
19          request that the relief requested in the 29th and 33rd  
20          objections be granted and that the responses filed in  
21          opposition to the objections be overruled.

22          THE COURT: Are any of the parties who have  
23          responded to the trustee's objections to claims present or  
24          participating by telephone?

25          (Pause)

1 I hear no response. These contested matters all  
2 appear to fall within the same general category of  
3 individuals who acquired Lehman Brothers Securities, but who  
4 pursued claims against the SIPA estate under the  
5 misapprehension that LBI has legal liability of some sort in  
6 reference to these securities issued by other affiliates of  
7 Lehman that are parties to the Chapter 11 cases.

8 Is that a correct statement?

9 MS. GRAGG: Yes.

10 THE COURT: Under the circumstances, these claim  
11 objections are all granted.

12 MS. GRAGG: Thank you, Your Honor. We filed and  
13 will provide copies to your law clerk after the hearing, the  
14 proposed orders which reflect the relief we're requesting.

15 THE COURT: Okay, thank you. Is there anything  
16 more for today?

17 MS. GRAGG: No.

18 THE COURT: In that case, we're adjourned, thank  
19 you.

20 (Whereupon this proceeding was concluded at 10:37 AM)

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I N D E X

RULINGS

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C E R T I F I C A T I O N

I, Jamie Gallagher, certify that the foregoing transcript is  
a true and accurate record of the proceedings.

Veritext

200 Old Country Road

Suite 580

Mineola, NY 11501

Date: April 25, 2013